



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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March 10, 2004

TO: Senator Lisa Brown, Chair
Senator Joseph Zarelli
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: March 10, 2004 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$651.8 million in the February 11-March 10, 2004 collection period. Receipts were \$14.1 million (2.1 percent) lower than expected for the month. Collections this month include an unusually large (\$3.6 million) audit payment, thus this month's shortfall understates the weakness of economic activity. For the month Revenue Act (retail sales, business & occupation, use and public utility taxes) receipts, estate tax, and cigarette tax payments were less than expected while real estate excise tax, estate tax. Liquor taxes and property tax payments were a little higher than the forecast. This month's shortfall indicates that the economy is still weak. Nationally, employment increased only 21,000 in January, much less than expected. The lack of a significant increase in jobs despite evidence of solid growth in output (real GDP is expected to increase 4.0 percent this quarter) indicate that business are still able to increase output by improving productivity rather than by adding more workers. The lack of job growth, however, has hurt consumer confidence and slowed spending and revenue growth. Tax receipts can be quite volatile on a monthly basis and one weak month is not a cause for alarm, however, unless employment growth begins to improve as expected, revenue growth may remain weak.

Revenue Act receipts were \$16.9 million, 2.8 percent, less than the estimate for the month. Collections this period primarily reflect January 2004 business activity of monthly taxpayers. After two strong months, Revenue Act growth stalled this month. Revenue Act collections were only 0.8 percent more than a year-ago adjusting for new legislation and special factors. Growth this month was significantly less than the 5.0 percent average the previous two months and was the weakest since March 2003. For the fiscal year-to-date, Revenue Act receipts are 3.5 percent higher than a year-ago. While bad weather in early January may have contributed to the weakness this month, weak job growth and a fall in consumer confidence are also likely to blame.

Preliminary data on tax payments of 9,400 large taxpayers who filed electronically for the current month again show retailers doing better than non-retailers. Total tax payments of business in the retail trade sector were 4.2 percent above the year-ago level, with all sectors with the exception of gas stations & convenience stores, food and beverage stores and miscellaneous retailers, reporting increases. The 4.2 percent increase this month was the smallest since March 2003. Non store retailers had the largest increase among retailers, with a 17.3 percent increase in tax payments. Other retailing sectors with strong increases were apparel and accessories retailers (+9.4 percent) and auto dealers (+7.6 percent). Outside retailing, activity was significantly weaker. For the month, tax payments by non retailers in this sample declined 0.2 percent. Last month tax payments by non-retailers increased only 0.2 percent. The decline this month was the first since May 2003. Again there was a wide disparity among industries. Utilities were strong, with tax payments 13.9 percent higher than a year-ago. Other major non retailing sectors with gains include: management, education and health services (+3.1 percent), the information sector, (+3.0 percent), the arts, entertainment and recreation sector (+6.8 percent) and accommodations and food service (+2.0 percent). Non retail trade sectors reporting declines include: finance and insurance (-19.9 percent), wholesale trade (-1.9 percent), construction (-0.7 percent) and the transportation and warehousing sector (-3.2 percent).

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$2.7 million above the estimate for the month. Real estate excise (+\$1.6 million), timber excise (+\$489,000), and liquor taxes (+\$617,000) were stronger than expected and more than offset weaker than expected cigarette tax (-\$319,000) and estate tax (-\$752,000) receipts.

After more than a year of double digit growth, real estate activity has slowed in recent months. Real estate activity (closings in January which reflect tax payments to the state in February) was 0.3 percent below the year-ago level statewide. This was a little better than expected but weaker than the 3.9 percent increase last month. For the month the number of transactions was 13.1 percent below the year-ago level. They increased 1.3 percent last month. The average value per transaction increased 14.8 percent this month up from 2.6 percent last month.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$46,000 above the estimate for the month. Cumulative, Department of Licensing GFS revenue is \$31,000 more than expected.

The attached Table 1 provides a comparison of collections with the February 2004 forecast for the February 11 – March 10, 2004 collection period and cumulatively since the February 2004 forecast. The cumulative variance is virtually identical to the variance for the month because the monthly estimates based on the February forecast reflect actual collections through February 10. The difference in the month and the cumulative-to-date variance in Table 1 reflect data revisions. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS: cg

Attachments

TABLE 1
Revenue Collection Report
March 10, 2004 Collections Compared to the February 2004 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
February 11 - March 10, 2004				
Department of Revenue-Total	\$665,293	\$651,148	(\$14,145)	-2.1%
Revenue Act** (1)	598,877	581,983	(16,894)	-2.8%
Non-Revenue Act(2)	66,416	69,165	2,749	4.1%
Liquor Sales/Liter	6,934	7,551	617	8.9%
Cigarette	4,540	4,221	(319)	-7.0%
Property (State School Levy)	5,733	5,878	145	2.5%
Estate	6,829	6,077	(752)	-11.0%
Real Estate Excise	30,802	32,414	1,612	5.2%
Timber (state share)	1,943	2,432	489	25.2%
Other	9,634	10,591	957	9.9%
Department of Licensing (2)	562	608	46	8.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$665,855	\$651,756	(\$14,099)	-2.1%
Cumulative Variance Since the February 2004 Forecast (Feb. 11, 2004 - March 10, 2004)				
Department of Revenue-Total	\$665,293	651,148	(14,145)	-2.1%
Revenue Act** (3)	598,877	581,983	(16,894)	-2.8%
Non-Revenue Act(4)	66,416	69,165	2,749	4.1%
Liquor Sales/Liter	6,934	7,551	617	8.9%
Cigarette	4,540	4,221	(319)	-7.0%
Property (State School Levy)	5,733	5,884	151	2.6%
Estate	6,829	6,077	(752)	-11.0%
Real Estate Excise	30,802	32,414	1,612	5.2%
Timber (state share)	1,943	2,432	489	25.2%
Other	9,634	10,585	951	9.9%
Department of Licensing (4)	562	593	31	5.4%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$665,855	\$651,741	(\$14,115)	-2.1%

1 Collections February 11 - March 10, 2004. Collections primarily reflect January 2004 activity of monthly taxpayers.

2 February 1-29, 2004 collections.

3 Cumulative collections, estimates and variance since the February 2004 forecast; (February 11 - March 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February 2004) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the February 2004 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
February 10, 2004 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
January 11- February 10, 2004				
Department of Revenue-Total	\$1,012,943	\$1,012,943	\$0	0.0%
Revenue Act (1)	917,291	917,291	(0)	-0.0%
Non-Revenue Act(2)	95,652	95,652	0	0.0%
Liquor Sales/Liter	11,841	11,841	(0)	-0.0%
Cigarette	4,130	4,130	0	0.0%
Property (State School Levy)-net	12,256	12,256	0	0.0%
Property tax collections	12,256	12,256	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	8,022	8,289	267	3.3%
Real Estate Excise	46,929	46,929	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	12,474	12,207	(267)	-2.1%
Department of Licensing (2)	506	490	(16)	-3.1%
Lottery (2)	0	0	0	NA
Total General Fund-State***	1,013,449	1,013,433	(\$16)	-0.0%

Cumulative Receipts: November 11 - February 10, 2004 & Revisions to History

Department of Revenue-Total	3,137,402	\$3,137,502	\$100	0.0%
Revenue Act (3)	2,233,917	2,234,017	100	0.0%
Non-Revenue Act(4)	903,486	903,486	(0)	-0.0%
Liquor Sales/Liter	28,626	28,626	0	0.0%
Cigarette	11,978	11,978	(0)	-0.0%
Property (State School Levy)-net after transfer	641,473	641,479	6	0.0%
Property tax collections	641,473	641,479	6	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	31,738	32,004	266	0.8%
Real Estate Excise	135,722	135,722	0	0.0%
Timber (state share)	2,151	2,151	(0)	NA
Other	51,796	51,525	(271)	-0.5%
Department of Licensing (4)	1,580	1,574	(6)	-0.4%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$3,138,983	\$3,139,077	\$94	0.0%

Preliminary. Reported in the February 10, 2004 collection report.

1 Collections January 11 - February 10, 2004. Collections primarily reflect NDecember 2003 business activity of monthly taxpayers, q4, 2003 activity of quarterly filers and calendar 2003 activity of annual filers.

2 January 1-31, 2004 collections.

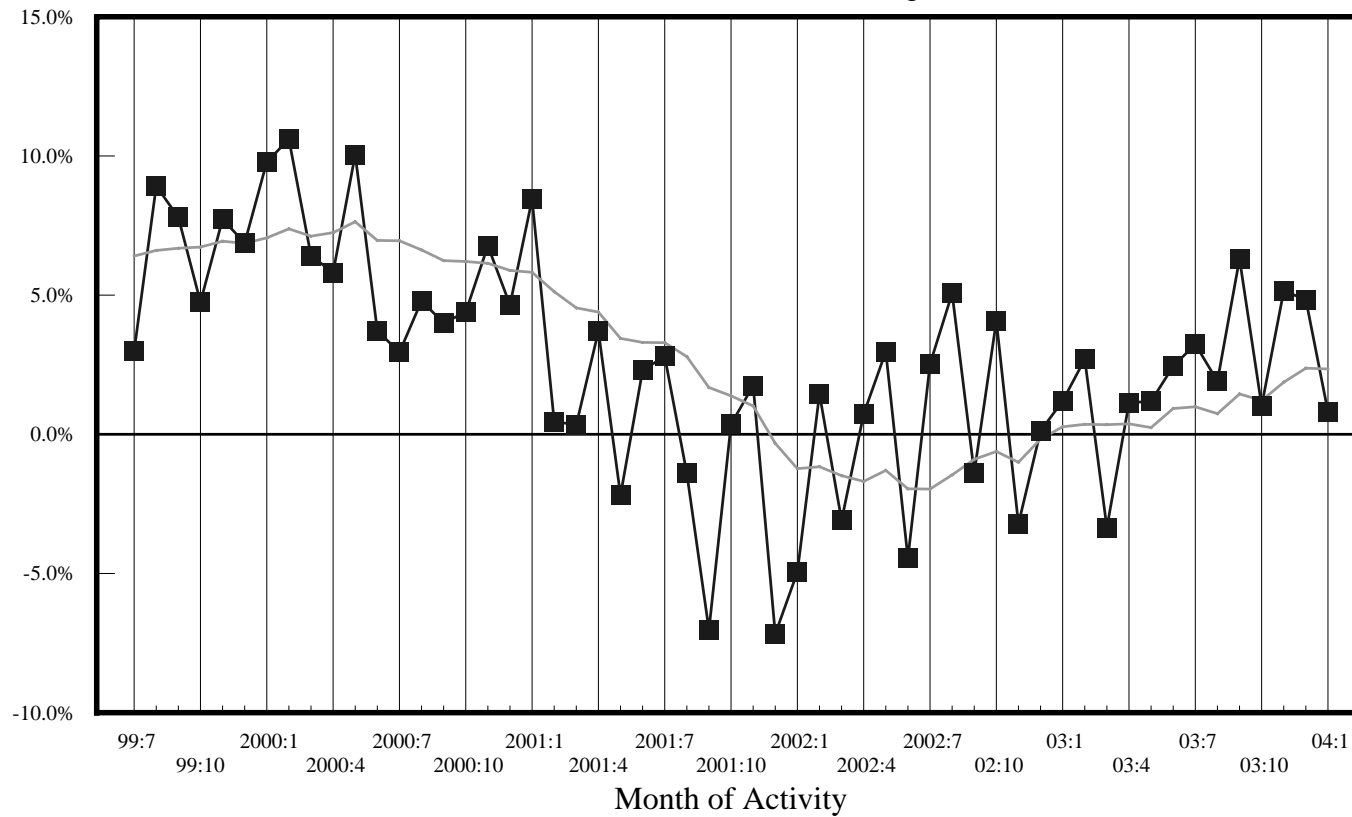
3 Cumulative receipts since the November 2003 forecast: November 11- February 10,2004 & revisions to history.

4 Cumulative receipts since the November 2003 forecast (November, December and January) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors